

EDDYVILLE-BLAKESBURG COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2007

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Eddyville-Blakesburg Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2006 election)		
Ed Glenn	President	2008
Betty Voss	Vice President	2007
Ray Morrison	Board Member	2006
Joleen Smith	Board Member	2006
Debra Bahr	Board Member	2007
Lawrence Smith	Board Member	2008
Matthew Huber	Board Member	2008
Board of Education (After September 2006 election)		
Ed Glenn	President	2008
Betty Voss	Vice President	2007
Debra Bahr	Board Member	2007
Lawrence Smith	Board Member	2008
Matthew Huber	Board Member	2008
Dan Hulbert	Board Member	2009
Jeff Claypool	Board Member	2009
School Officials		
Dr. Dean Cook	Superintendent	2007
Susan Bayer	District Secretary/ Treasurer	2007
Richard Gaumer	Attorney	2007

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
Eddyville-Blakesburg Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Eddyville-Blakesburg Community School District, Eddyville, Iowa, as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Eddyville-Blakesburg Community School District at June 30, 2007, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated February 21, 2008 on our consideration of Eddyville-Blakesburg Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 13 and 36 through 37 are not required parts of the basic financial statements, but are supplementary

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information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Eddyville-Blakesburg Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2006 (none of which are presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 5, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



NOLTE, CORNMAN & JOHNSON, P.C.

February 21, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

Eddyville-Blakesburg Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2007. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2007 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$7,452,689 in fiscal 2006 to \$7,628,431 in fiscal 2007, while General Fund expenditures increased from \$6,986,240 in fiscal 2006 to \$7,336,892 in fiscal 2007. This resulted in an increase in the District's General Fund balance from \$702,124 in fiscal 2006 to a balance of \$993,663 in fiscal 2007, a 41.5% increase from the prior year.
- The increase in General Fund revenues was attributable to an increase in state funding in fiscal 2007. The increase in expenditures was due primarily to an increase in the negotiated salary and benefits.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Eddyville-Blakesburg Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Eddyville-Blakesburg Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Eddyville-Blakesburg Community School District acts solely as an agent or custodial for the benefit of those outside of the School District.

Notes to the financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

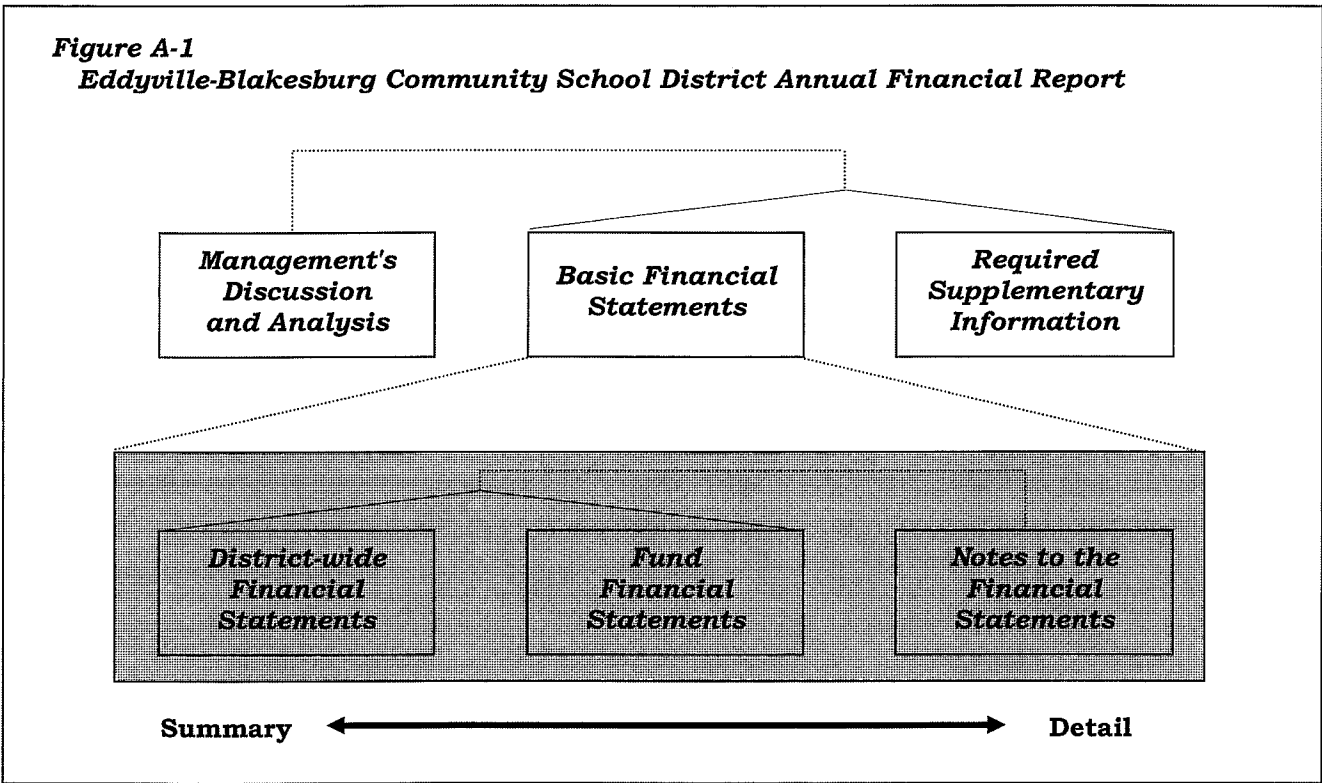


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2

Major Features of the Government-Wide and Fund Financial Statements

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses, e.g., food service	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of revenues, expenses and changes in net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business-type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.

The required financial statements for the governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District currently has three enterprise funds, the School Nutrition Fund, the Child Care Fund and the Building and Trades Fund. The District also has an Internal Service Fund.

The required financial statements for the proprietary funds include a statement of revenues, expenses and changes in net assets and a statement of cash flows.

3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. This fund is the Agency fund.

- Agency Fund – These are funds through which the District administers and accounts for certain federal and/or state grants on behalf of other entities and the Empowerment Program, whereby the District acts as the fiscal agent.
- Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.

The District is responsible for ensuring that the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's total net assets at June 30, 2007, compared to June 30, 2006.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business-Type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2007	2006	2007	2006	2007	2006	2006-07
Current and other assets	\$ 7,757,319	6,853,701	7,114	10,192	7,764,433	6,863,893	13.12%
Capital assets	4,582,246	4,404,887	231,340	25,513	4,813,586	4,430,400	8.65%
Total assets	12,339,565	11,258,588	238,454	35,705	12,578,019	11,294,293	11.37%
Long-term obligations	695,254	531,931	0	0	695,254	531,931	30.70%
Other liabilities	4,595,988	4,351,013	160,293	55,968	4,756,281	4,406,981	7.93%
Total liabilities	5,291,242	4,882,944	160,293	55,968	5,451,535	4,938,912	10.38%
Net assets:							
Invested in capital assets, net of related debt	4,332,703	4,404,887	231,340	25,513	4,564,043	4,430,400	3.02%
Restricted	1,721,604	1,243,901	0	0	1,721,604	1,243,901	38.40%
Unrestricted	994,016	726,856	(153,179)	(45,776)	840,837	681,080	23.46%
Total net assets	\$ 7,048,323	6,375,644	78,161	(20,263)	7,126,484	6,355,381	12.13%

The District's combined net assets increased by 12.13%, or \$771,103, over the prior year. The largest portion of the District's net assets is the invested in capital assets, net of related debt. The debt related to the invested in capital assets is liquidated with sources other than capital assets.

Restricted net assets represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's

restricted net assets increased \$477,703, or 38.40% over the prior year. The increase was primarily a result the increase in the Capital Projects Fund.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased \$159,757, or 23.46%. This increase in unrestricted net assets was a result of the District’s increase in the General Fund balance.

Figure A-4 shows the changes in net assets for the years ended June 30, 2007 and 2006.

Figure A-4
Changes of Net Assets

	Governmental Activities		Business-Type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2007	2006	2007	2006	2007	2006	2006-07
Revenues:							
Program revenues:							
Charges for services	\$ 1,119,847	1,142,173	507,029	615,031	1,626,876	1,757,204	-7.42%
Operating grants and contributions and restricted interest	900,109	851,104	169,725	156,670	1,069,834	1,007,774	6.16%
General revenues:							
Property tax	3,900,770	3,830,340	0	0	3,900,770	3,830,340	1.84%
Local option sales and service tax	521,573	476,912	0	0	521,573	476,912	9.36%
Unrestricted state grants	2,551,952	2,315,748	0	0	2,551,952	2,315,748	10.20%
Transfers	(19,486)	(133,286)	0	133,286	(19,486)	0	-100.00%
Other	144,700	105,584	166	143	144,866	105,727	37.02%
Total revenues	9,119,465	8,588,575	676,920	905,130	9,796,385	9,493,705	3.19%
Program expenses:							
Governmental activities:							
Instructional	4,927,259	4,762,729	135,699	0	5,062,958	4,762,729	6.30%
Support services	2,661,359	2,235,767	7,986	0	2,669,345	2,235,767	19.39%
Non-instructional programs	3,153	0	650,175	807,647	653,328	807,647	-19.11%
Other expenses	855,015	453,996	0	0	855,015	453,996	88.33%
Total expenses	8,446,786	7,452,492	793,860	807,647	9,240,646	8,260,139	11.87%
Change in net assets before contributed capital	672,679	1,136,083	(116,940)	97,483	555,739	1,233,566	-54.95%
Contributed capital	0	0	215,364	0	215,364	0	100.00%
Change in net assets	672,679	1,136,083	98,424	97,483	771,103	1,233,566	-37.49%
Net assets beginning of year	6,375,644	5,239,561	(20,263)	(117,746)	6,355,381	5,121,815	24.08%
Net assets end of year	\$ 7,048,323	6,375,644	78,161	(20,263)	7,126,484	6,355,381	12.13%

In fiscal 2007, property tax and unrestricted state grants account for 70.8% of the revenue from governmental activities while charges for services and operating grants and contributions account for nearly 100% of the revenue from business type activities.

The District's total revenues were approximately \$9.8 million of which \$9.1 million was for governmental activities and \$.7 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced an increase of 3.19% in revenues and an increase of 11.87% in expenses. The increase in expenses was related to an increase in support services costs during the year.

Governmental Activities

Revenues for governmental activities were \$9,119,465 and expenses were \$8,446,786.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional and other expenses.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2007	2006	Change 2006-07	2007	2006	Change 2006-07
Instruction	\$ 4,927,259	4,762,729	3.45%	3,159,611	3,001,118	5.28%
Support services	2,661,359	2,235,767	19.04%	2,655,176	2,230,635	19.03%
Non-instructional	3,153	0	100.00%	3,153	0	100.00%
Other expenses	855,015	453,996	88.33%	608,890	227,462	167.69%
Totals	<u>\$ 8,446,786</u>	<u>7,452,492</u>	<u>13.34%</u>	<u>6,426,830</u>	<u>5,459,215</u>	<u>17.72%</u>

- The cost financed by users of the District's programs was \$1,119,847.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$900,109.
- The net cost of governmental activities was financed with \$3,900,770 in property tax, \$521,573 in local option sales and services tax, \$2,551,952 in unrestricted state grants and \$59,784 in interest income.

Business-Type Activities

Revenues of the District's business-type activities were \$676,920 and expenses were \$793,860. The District's business-type activities include the School Nutrition Fund, Child Care Fund and Building and Trades Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, the Eddyville-Blakesburg Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$2,716,331, above last year's ending fund balances of \$2,036,937. However, the primary reason for the increase in combined fund balances in fiscal 2007 is due to the increase in the General and Capital Projects fund balances.

Governmental Fund Highlights

- The District's improving General Fund financial position from \$702,124 to \$993,663 is the product of many factors:
 - The increase in negotiated salary and benefits settlement, as well as existing expenditure commitments of the District, resulted in an increase in expenditures.
 - The increase in revenues was due to the increase in state funding revenues during the year. The increase in expenses was offset by the increase in revenues ensuring the increase in the ending fund balance.
- The Capital Projects Fund balance increased from \$816,273 in fiscal 2006 to \$1,109,850 in fiscal 2007. The increase in revenues was enough to offset the increase in expenditures, ensuring the increase in fund balance.

Proprietary Fund Highlights

The School Nutrition Fund net assets decreased from a positive balance of \$22,631 at June 30, 2006 to a deficit balance of \$2,752 at June 30, 2007, representing a decrease of 112%. The Child Care Fund net assets increased from a deficit \$172,367 at June 30, 2006 to a deficit \$53,491 at June 30, 2007, representing an increase of 69%. The Buildings and Trades Fund net assets increased from \$129,473 at June 30, 2006 to \$134,404 at June 30, 2007, representing an increase of 4%.

BUDGETARY HIGHLIGHTS

Over the course of the year, Eddyville-Blakesburg Community School District amended its annual budget one time to reflect additional expenditures in the support services and non-instructional functions.

The District's revenues were \$718,424 less than budgeted revenues, a variance of 6.8%. The most significant variance resulted from the District receiving less in federal sources than originally anticipated.

Total expenditures were less than budgeted, primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2007, the District had invested \$4.8 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$312,743.

The original cost of the District's capital assets was \$11,637,833. Governmental funds account for \$11,192,477 with the remainder of \$445,356 in the Proprietary, School Nutrition Fund and Child Care Fund.

The largest percentage change in capital asset activity during the year occurred in the machinery and equipment category. The increase in the machinery and equipment was due to the purchases of new computers and vehicles during the current year.

Figure A-6

	Capital Assets, Net of Depreciation						
	Governmental		Business-Type		Total		Total
	Activities		Activities		School District		Change
	June 30,		June 30,		June 30,		June 30,
	2007	2006	2007	2006	2007	2006	2006-07
Land	\$ 54,747	54,747	0	0	54,747	54,747	0.00%
Buildings	3,701,014	3,838,180	200,303	0	3,901,317	3,838,180	1.64%
Improvements other than buildings	391,584	437,489	0	0	391,584	437,489	-10.49%
Machinery and equipment	434,901	74,471	31,037	25,513	465,938	99,984	366.01%
Total	\$ 4,582,246	4,404,887	231,340	25,513	4,813,586	4,430,400	8.65%

Long-Term Debt

At June 30, 2007, the District had \$695,254 in other long-term debt outstanding. This represents an increase of 30.7% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

The District had total outstanding Early Retirement payable from the Special Revenue - Management Fund of \$429,150 at June 30, 2007.

At June 30, 2007 the District had \$249,543 in lease purchase agreements payable from the Special Revenue - Physical Plant and Equipment Levy Fund.

Compensated absences, which is payable from the General Fund totaled \$16,561 at June 30, 2007.

Figure A-7

	Outstanding Long-Term Obligations		
	Total		Total
	School District		Change
	June 30,		June 30,
	2007	2006	2006-07
Computer lease	\$ 234,485	0	100.0%
Floor scrubber lease	9,265	0	100.0%
Mower lease	5,793	0	100.0%
Compensated absences	16,561	0	100.0%
Early retirement	429,150	531,931	-19.3%
Totals	\$ 695,254	531,931	30.7%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- The District's October 2007 certified enrollment count declined 6.6 students to 728.2.
- The budget guarantee (whereby Districts are guaranteed 100% of their current budget for the upcoming year) is being phased out over a ten year period beginning in fiscal year 2004.

-
- Low allowable growth over several years and enrollment decreases is negatively impacting the District's spending authority. Contractual increases and program changes cannot be made without thorough consideration of our unspent authorized budget.
 - Continued budget concerns at state level will affect future projections. The District has been forced to shift funding to property taxes.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Susan Bayer, Board Secretary, Eddyville-Blakesburg Community School District, 1301 Berdan Street, Eddyville, Iowa, 52553.

BASIC FINANCIAL STATEMENTS

EDDYVILLE-BLAKESBURG COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2007

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and pooled investments	\$ 3,341,823	0	3,341,823
Receivables:			
Property tax:			
Delinquent	36,607	0	36,607
Succeeding year	3,709,146	0	3,709,146
Income surtax	267,902	0	267,902
Accounts	58,711	500	59,211
Due from other governments	343,130	0	343,130
Inventories	0	6,614	6,614
Capital assets, net of accumulated depreciation (Note 4)	4,582,246	231,340	4,813,586
Total Assets	12,339,565	238,454	12,578,019
Liabilities			
Excess of warrants issued over bank balances	0	118,808	118,808
Accrued interest payable	13,618	0	13,618
Accounts payable	146,082	0	146,082
Salaries and benefits payable	637,331	36,787	674,118
Incurred but not reported	60,000	0	60,000
Deferred revenue:			
Succeeding year property tax	3,709,146	0	3,709,146
Other	29,811	0	29,811
Unearned revenue	0	4,698	4,698
Long-term liabilities (Note 5):			
Portion due within one year:			
Lease purchases	63,116	0	63,116
Compensated absences	16,561	0	16,561
Early retirement payable	35,762	0	35,762
Portion due after one year:			
Lease purchases	186,427	0	186,427
Early retirement payable	393,388	0	393,388
Total Liabilities	5,291,242	160,293	5,451,535
Net Assets			
Invested in capital assets, net of related debt	4,332,703	231,340	4,564,043
Restricted for:			
Salary improvement program	1,906	0	1,906
Market factor	6,007	0	6,007
Early intervention	15,172	0	15,172
Capital projects	1,109,850	0	1,109,850
Physical plant and equipment levy	456,677	0	456,677
Other special revenue purposes	131,992	0	131,992
Unrestricted	994,016	(153,179)	840,837
Total Net Assets	\$ 7,048,323	78,161	7,126,484

SEE NOTES TO FINANCIAL STATEMENTS.

EDDYVILLE-BLAKESBURG COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2007

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Total
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business-Type Activities	
Functions/Programs						
Governmental activities:						
Instruction:						
Regular instruction	\$ 3,377,110	663,403	604,764	(2,108,943)	0	(2,108,943)
Special instruction	980,895	220,494	43,037	(717,364)	0	(717,364)
Other instruction	569,254	235,950	0	(333,304)	0	(333,304)
	<u>4,927,259</u>	<u>1,119,847</u>	<u>647,801</u>	<u>(3,159,611)</u>	<u>0</u>	<u>(3,159,611)</u>
Support services:						
Student services	152,417	0	0	(152,417)	0	(152,417)
Instructional staff services	329,267	0	0	(329,267)	0	(329,267)
Administration services	933,872	0	0	(933,872)	0	(933,872)
Operation and maintenance of plant services	640,883	0	0	(640,883)	0	(640,883)
Transportation services	604,920	0	6,183	(598,737)	0	(598,737)
	<u>2,661,359</u>	<u>0</u>	<u>6,183</u>	<u>(2,655,176)</u>	<u>0</u>	<u>(2,655,176)</u>
Non-instructional programs:						
Day care operations	3,153	0	0	(3,153)	0	(3,153)
Other expenditures:						
Facilities acquisitions	404,304	0	0	(404,304)	0	(404,304)
Long-term debt interest	15,865	0	0	(15,865)	0	(15,865)
AEA flowthrough	246,125	0	246,125	0	0	0
Depreciation(unallocated)*	188,721	0	0	(188,721)	0	(188,721)
	<u>855,015</u>	<u>0</u>	<u>246,125</u>	<u>(608,890)</u>	<u>0</u>	<u>(608,890)</u>
Total governmental activities	<u>8,446,786</u>	<u>1,119,847</u>	<u>900,109</u>	<u>(6,426,830)</u>	<u>0</u>	<u>(6,426,830)</u>
Business-Type activities:						
Instruction:						
Other instruction	135,699	140,630	0	0	4,931	4,931
Support services:						
Operation and maintenance of plant services	7,986	7,986	0	0	0	0
Non-instructional programs:						
Nutrition services	397,203	198,569	162,910	0	(35,724)	(35,724)
Child care services	252,972	159,844	6,815	0	(86,313)	(86,313)
Total business-type activities	<u>793,860</u>	<u>507,029</u>	<u>169,725</u>	<u>0</u>	<u>(117,106)</u>	<u>(117,106)</u>
Total	<u>\$ 9,240,646</u>	<u>1,626,876</u>	<u>1,069,834</u>	<u>(6,426,830)</u>	<u>(117,106)</u>	<u>(6,543,936)</u>
General Revenues and Transfers:						
Property tax levied for:						
General purposes				\$ 3,443,487	0	3,443,487
Capital outlays				457,283	0	457,283
Local option sales and services tax				521,573	0	521,573
Unrestricted state grants				2,551,952	0	2,551,952
Unrestricted investment earnings				59,784	166	59,950
Other				84,916	0	84,916
Transfers				(19,486)	0	(19,486)
Total general revenues				<u>7,099,509</u>	<u>166</u>	<u>7,099,675</u>
Changes in net assets before capital contributions				672,679	(116,940)	555,739
Capital contributions				<u>0</u>	<u>215,364</u>	<u>215,364</u>
Changes in net assets				672,679	98,424	771,103
Net assets beginning of year				<u>6,375,644</u>	<u>(20,263)</u>	<u>6,355,381</u>
Net assets end of year				<u>\$ 7,048,323</u>	<u>78,161</u>	<u>7,126,484</u>

* This amount excludes the depreciation that is included in the direct expense of various programs.

SEE NOTES TO FINANCIAL STATEMENTS.

EDDYVILLE-BLAKESBURG COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2007

	General	Capital Projects	Nonmajor Governmental Funds	Total
Assets				
Cash and pooled investments	\$ 1,464,300	1,020,333	610,674	3,095,307
Receivables:				
Property tax:				
Delinquent	30,775	0	5,832	36,607
Succeeding year	3,123,168	0	585,978	3,709,146
Income surtax	114,815	0	153,087	267,902
Accounts	54,511	0	0	54,511
Due from other governments	253,613	89,517	0	343,130
Total Assets	\$ 5,041,182	1,109,850	1,355,571	7,506,603
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 142,394	0	3,688	146,082
Salaries and benefits payable	637,331	0	0	637,331
Deferred revenue:				
Succeeding year property tax	3,123,168	0	585,978	3,709,146
Income surtax	114,815	0	153,087	267,902
Other	29,811	0	0	29,811
Total liabilities	4,047,519	0	742,753	4,790,272
Fund balances:				
Reserved for:				
Salary improvement program	1,906	0	0	1,906
Market factor	6,007	0	0	6,007
Early intervention	15,172	0	0	15,172
Unreserved	970,578	1,109,850	612,818	2,693,246
Total fund balances	993,663	1,109,850	612,818	2,716,331
Total Liabilities and Fund Balances	\$ 5,041,182	1,109,850	1,355,571	7,506,603

SEE NOTES TO FINANCIAL STATEMENTS.

EDDYVILLE-BLAKESBURG COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2007

Total fund balances of governmental funds (page 16)	\$ 2,716,331
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not report as assets in in the governmental funds.	4,582,246
Accounts receivable income surtax, are not yet available to to finance expenditures of the current period.	267,902
Blending of the Internal Service Funds to be reflected on an entity-wide basis.	190,716
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(13,618)
Long-term liabilities, including early retirement, lease purchases and compensated absences, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	(695,254)
Net assets of governmental activites (page 14)	<u><u>\$ 7,048,323</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

EDDYVILLE-BLAKESBURG COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2007

	General	Capital Projects	Nonmajor Governmental Funds	Total
REVENUES:				
Local sources:				
Local tax	\$ 3,143,377	521,573	735,133	4,400,083
Tuition	883,897	0	0	883,897
Other	149,262	0	231,313	380,575
State sources	3,232,582	0	241	3,232,823
Federal sources	219,238	0	0	219,238
Total revenues	7,628,356	521,573	966,687	9,116,616
EXPENDITURES:				
Current:				
Instruction:				
Regular instruction	3,312,426	0	67,403	3,379,829
Special instruction	980,574	0	0	980,574
Other instruction	346,210	0	217,304	563,514
	4,639,210	0	284,707	4,923,917
Support services:				
Student services	150,896	0	0	150,896
Instructional staff services	244,645	0	314,786	559,431
Administration services	848,223	0	98,561	946,784
Operation and maintenance of plant services	611,818	0	54,413	666,231
Transportation services	595,975	0	141,296	737,271
	2,451,557	0	609,056	3,060,613
Non-instructional programs:				
Food service operations	0	0	24,498	24,498
Other expenditures:				
Facilities acquisitions	0	227,996	181,958	409,954
Long-term debt:				
Principal	0	0	73,347	73,347
Interest and fiscal charges	0	0	2,247	2,247
AEA flowthrough	246,125	0	0	246,125
	246,125	227,996	257,552	731,673
Total expenditures	7,336,892	227,996	1,175,813	8,740,701
Excess(deficiency) of revenues over(under) expenditures	291,464	293,577	(209,126)	375,915
Other financing sources(uses):				
Transfer in	0	0	75,594	75,594
Transfer out	0	0	(95,080)	(95,080)
Proceeds from lease purchases	0	0	322,890	322,890
Sale of equipment	75	0	0	75
Total other financing sources(uses)	75	0	303,404	303,479
Net change in fund balances	291,539	293,577	94,278	679,394
Fund balance beginning of year	702,124	816,273	518,540	2,036,937
Fund balance end of year	\$ 993,663	1,109,850	612,818	2,716,331

SEE NOTES TO FINANCIAL STATEMENTS.

EDDYVILLE-BLAKESBURG COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 JUNE 30, 2007

Net change in fund balances - total governmental funds (page 18) \$ 679,394

*Amounts reported for governmental activities in the
 statement of activities are different because:*

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceed depreciation expense in the current as follows:

Capital outlays	\$ 480,565	
Depreciation expense	<u>(303,206)</u>	177,359

Net change in Internal Service Funds charged back against expenditures made for self-funded insurance at an entity-wide basis. (29,393)

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. 22,260

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. (13,618)

Proceed from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current years issues exceeded repayments, as follows:

Issued	(322,890)	
Repaid	<u>73,347</u>	(249,543)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Early retirement	102,781	
Compensated absences	<u>(16,561)</u>	86,220

Changes in net assets of governmental activities (page 15) \$ 672,679

SEE NOTES TO FINANCIAL STATEMENTS.

EDDYVILLE-BLAKESBURG COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2007

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	School Nutrition	Child Care	Building and Trades	Total	
Assets					
Current assets:					
Cash and pooled investments	\$ 0	0	133,904	133,904	246,516
Accounts receivable	0	0	500	500	4,200
Inventories	6,614	0	0	6,614	0
Capital assets, net of accumulated depreciation(Note 4)	31,037	200,303	0	231,340	0
Total Assets	37,651	200,303	134,404	372,358	250,716
Liabilities					
Excess of warrants issued over bank balance	9,024	243,688	0	252,712	0
Salaries and benefits payable	26,681	10,106	0	36,787	0
Incurred but not reported	0	0	0	0	60,000
Unearned revenues	4,698	0	0	4,698	0
Total Liabilities	40,403	253,794	0	294,197	60,000
Net Assets					
Invested in capital assets	31,037	200,303	0	231,340	0
Unrestricted	(33,789)	(253,794)	134,404	(153,179)	190,716
Total Net Assets	\$ (2,752)	(53,491)	134,404	78,161	190,716

SEE NOTES TO FINANCIAL STATEMENTS.

EDDYVILLE-BLAKESBURG COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2007

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	School Nutrition	Child Care	Building and Trades	Total	
OPERATING REVENUE:					
Local sources:					
Charges for service	\$ 198,569	167,055	141,405	507,029	940,797
OPERATING EXPENSES:					
Instruction:					
Other:					
Services	0	0	12,068	12,068	0
Supplies	0	0	123,631	123,631	0
	0	0	135,699	135,699	0
Support services:					
Student services:					
Benefits	0	0	0	0	22,119
Administration:					
Benefits	0	0	0	0	948,980
Operation and maintenance of plant services:					
Services	0	65	0	65	0
Supplies	0	7,146	775	7,921	0
	0	7,211	775	7,986	971,099
Non-instruction:					
Salaries	140,900	165,270	0	306,170	0
Benefits	49,760	49,027	0	98,787	0
Services	7,361	18,577	0	25,938	0
Supplies	194,055	15,212	0	209,267	0
Depreciation	4,651	4,886	0	9,537	0
Other	476	0	0	476	0
	397,203	252,972	0	650,175	0
TOTAL OPERATING EXPENSES	397,203	260,183	136,474	793,860	971,099
OPERATING INCOME (LOSS)	(198,634)	(93,128)	4,931	(286,831)	(30,302)
NON-OPERATING REVENUES:					
State sources	4,507	6,815	0	11,322	0
Federal sources	158,403	0	0	158,403	0
Interest income	166	0	0	166	909
TOTAL NON-OPERATING REVENUES	163,076	6,815	0	169,891	909
Net income(loss) before capital contributions	(35,558)	(86,313)	4,931	(116,940)	(29,393)
Capital contributions	10,175	205,189	0	215,364	0
Net income(loss)	(25,383)	118,876	4,931	98,424	(29,393)
Net assets beginning of year	22,631	(172,367)	129,473	(20,263)	220,109
Net assets end of year	\$ (2,752)	(53,491)	134,404	78,161	190,716

SEE NOTES TO FINANCIAL STATEMENTS.

EDDYVILLE-BLAKESBURG COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2007

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	School Nutrition	Child Care	Building and Trades	Total	
Cash flows from operating activities:					
Cash received from sale of lunches and breakfasts	\$ 198,568	0	0	198,568	0
Cash received from miscellaneous operating activities	362	167,055	140,905	308,322	936,597
Cash payments to employees for services	(190,953)	(209,240)	0	(400,193)	0
Cash payments to suppliers for goods or services	(183,478)	(41,000)	(143,071)	(367,549)	(911,099)
Net cash provided by(used in) operating activities	(175,501)	(83,185)	(2,166)	(260,852)	25,498
Cash flows from non-capital financing activities:					
State grants received	4,507	6,815	0	11,322	0
Federal grants received	143,536	0	0	143,536	0
Net cash provided by non-capital financing activities	148,043	6,815	0	154,858	0
Cash flows from investing activities:					
Interest income	166	0	0	166	909
Net increase(decrease) in cash and cash equivalents	(27,292)	(76,370)	(2,166)	(105,828)	26,407
Cash and cash equivalents at beginning of year	18,268	(167,318)	136,070	(12,980)	220,109
Cash and cash equivalents at end of year	\$ (9,024)	(243,688)	133,904	(118,808)	246,516
Reconciliation of operating income(loss) to net cash provided by(used in) operating activities:					
Operating income(loss)	\$ (198,634)	(93,128)	4,931	(286,831)	(30,302)
Adjustments to reconcile operating income(loss) to net cash provided by(used in) operating activities:					
Commodities consumed	14,867	0	0	14,867	0
Depreciation	4,651	4,886	0	9,537	0
Decrease in inventories	3,547	0	0	3,547	0
(Increase) decrease in accounts receivable	31	0	(500)	(469)	(4,200)
(Decrease) increase in accounts payable	0	0	(6,597)	(6,597)	0
(Decrease) increase in salaries and benefits payable	(293)	5,057	0	4,764	0
Increase in incurred but not reported	0	0	0	0	60,000
Increase in unearned revenue	330	0	0	330	0
Net cash provided by(used in) operating activities	\$ (175,501)	(83,185)	(2,166)	(260,852)	25,498
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:					
Current assets:					
Cash and investments	\$ (9,024)	(243,688)	133,904	(118,808)	246,516

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2007, the District received Federal commodities valued at \$14,867.

During the year ended June 30, 2007, the Nutrition Fund received contributed capital valued at \$10,175 from the Physical Plant and Equipment Levy Fund.

During the year ended June 30, 2007, the Day Care Fund received contributed capital valued at \$205,189 from the Capital Projects Fund.

SEE NOTES TO FINANCIAL STATEMENTS.

EDDYVILLE-BLAKESBURG COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2007

	Private Purpose Trust	
	Scholarship	Agency
Assets		
Cash and pooled investments	\$ 18,910	1,851
Liabilities		
Due to other groups	0	1,851
Net Assets		
Unrestricted	\$ 18,910	0

SEE NOTES TO FINANCIAL STATEMENTS.

EDDYVILLE-BLAKESBURG COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2007

	Private Purpose Trust Scholarship
Additions:	
Local sources:	
Interest	\$ 11,375
Deductions:	
Scholarships	11,951
Loss before other financing sources	(576)
Other financing sources:	
Transfer in	19,486
Change in net assets	18,910
Net assets beginning of year	0
Net assets end of year	\$ 18,910

SEE NOTES TO FINANCIAL STATEMENTS.

EDDYVILLE-BLAKESBURG COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

(1) Summary of Significant Accounting Policies

The Eddyville-Blakesburg Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the cities of Eddyville and Blakesburg, Iowa, and the predominate agricultural territory in Wapello, Monroe, Davis and Mahaska Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Eddyville-Blakesburg Community School District has included all funds, organizations, account groups, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Eddyville-Blakesburg Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Wapello, Monroe, Davis and Mahaska Counties Assessors' Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net assets use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net asset consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Capital Projects Fund is utilized to account for all resources used in the acquisition and construction of capital facilities, with the exception of those that are financed through enterprise funds.

The District reports the following major proprietary funds:

The District's proprietary funds are the Enterprise funds, School Nutrition Fund, Child Care Fund and Building and Trades Fund and the Internal Service Fund. The School Nutrition Fund is used to account for the food service operations of the District. The Child Care Fund is used to account for the day care service operations of the District. The Building and Trades Fund is used to account

for the vocational program which builds different projects. The Internal Service Fund is used to account for partially self-funded health insurance premiums of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations, and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operation.

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements, which require income earned to be used to benefit individuals through scholarship awards.

C. Measurement Focus and Basis of Accounting

The government-wide and proprietary financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the

District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Balances

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the

government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2005 assessed property valuations; is for the tax accrual period July 1, 2006 through June 30, 2007 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2006.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, machinery and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 0
Buildings	2,000
Land improvements	2,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	1,000

Property, machinery and equipment are depreciated using the straight line method of depreciation over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20 years
Machinery and equipment	5-12 years

Salaries and Benefits Payable- Payroll and related expenditures for teachers with annual contracts corresponding

to the current school year, which is payable in July and August, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Unearned Revenue - Unearned revenues in the School Nutrition Fund are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The revenue will be considered earned when services are provided. The lunch account balances are reflected on the Statement of Net Assets in the Proprietary Funds.

Long-term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Balances - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

(2) Cash and Pooled Investments

The District's deposits at June 30, 2007 were entirely covered by federal depository insurance or State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by

the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
Diversified Portfolio	<u>\$ 1,179</u>

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk. The investments in the Iowa Schools Joint Investment Trust were both rated Aaa by Moody's Investors Service.

(3) Transfers

The detail of transfers for the year ended June 30, 2007 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Special Revenue, Physical Plant and Equipment Levy	\$ 75,594
Private Purpose Trust	Special Revenue, Expendable Trust	<u>19,486</u>
Total		<u>\$ 95,080</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(4) Capital Assets

Capital assets activity for the year ended June 30, 2007 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Capital assets being depreciated:				
Buildings	\$ 0	306,500	0	306,500
Machinery and equipment	128,681	10,175	0	138,856
Total capital assets being depreciated	128,681	316,675	0	445,356
Less accumulated depreciation for:				
Buildings	0	106,197	0	106,197
Machinery and equipment	103,168	4,651	0	107,819
Total accumulated depreciation	103,168	110,848	0	214,016
Business-type activities capital assets, net	\$ 25,513	205,827	0	231,340
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 54,747	0	0	54,747
Total capital assets not being depreciated	54,747	0	0	54,747
Capital assets being depreciated:				
Buildings	7,135,137	5,650	0	7,140,787
Land improvements	1,280,136	0	0	1,280,136
Machinery and equipment	2,241,892	474,915	0	2,716,807
Total capital assets being depreciated	10,657,165	480,565	0	11,137,730
Less accumulated depreciation for:				
Buildings	3,296,957	142,816	0	3,439,773
Land improvements	842,647	45,905	0	888,552
Machinery and equipment	2,167,421	114,485	0	2,281,906
Total accumulated depreciation	6,307,025	303,206	0	6,610,231
Total capital assets being depreciated, net	4,350,140	177,359	0	4,527,499
Governmental activities capital assets, net	\$ 4,404,887	177,359	0	4,582,246

Depreciation expense was charged by the District as follows:

Governmental activities:

Instruction:

Regular	\$ 9,580
Special	321
Other	5,740

Support services:

Student services	1,521
Instructional staff	67,880
Administration	4,514
Operation and maintenance of plant	6,129
Transportation	18,800

114,485

Unallocated depreciation

188,721

Total governmental activities depreciation expense

\$ 303,206

Business-type activities:

Food services	\$ 4,651
Day Care	4,886

Total business-type activities depreciation expense

\$ 9,537

(5) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2007 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Early Retirement	\$ 531,931	26,905	129,686	429,150	35,762
Compensated absences	0	16,561	0	16,561	16,561
Computer lease	0	300,000	65,515	234,485	54,017
Floor scrubber lease	0	10,745	1,480	9,265	3,306
Mower lease	0	12,145	6,352	5,793	5,793
	\$ 531,931	366,356	203,033	695,254	115,439

Early Retirement

The District offers a voluntary early retirement plan to its Teachers, Teachers Aides, Custodians, Cooks, Secretaries and Bus Drivers. Eligible employees must be at least age fifty-five and employees must have completed ten years of continuous service to the District. Employees must complete an application which is required to be approved by the Board of Education. The early retirement incentive cash benefit for each eligible employee is based on a percentage of the employee's current salary. The District also pays an early retirement incentive for a single health insurance policy until the retiree is age sixty-five. Early retirement benefits paid during the year ended June 30, 2007, totaled \$129,686. A liability has been recorded in the Statement of Net Assets representing the District's commitment to fund non-current early retirement.

Computer Lease

During the year ended June 30, 2007, the District obtained financing for 215 computers and computer switches. Payments were made the Physical Plant and Equipment Levy Fund.

Year	Computer Lease			
Ending	Interest			
June 30,	Rates	Principal	Interest	Total
2008	5.48 % \$	54,017	12,850	66,867
2009	5.48	56,977	9,889	66,866
2010	5.48	60,099	6,767	66,866
2011	5.48	63,392	3,474	66,866
Total		\$ 234,485	32,980	267,465

Floor Scrubber Lease

During the year ended June 30, 2007, the District obtained financing for a new floor scrubber. Payments were made the Physical Plant and Equipment Levy Fund.

Year	Floor Scrubber Lease			
Ending	Interest			
June 30,	Rates	Principal	Interest	Total
2008	14.69 % \$	3,306	1,146	4,452
2009	14.69	3,826	626	4,452
2010	14.69	2,133	93	2,226
Total		\$ 9,265	1,865	11,130

Mower Lease

During the year ended June 30, 2007, the District obtained financing for a new mower. Payments were made the Physical Plant and Equipment Levy Fund.

Year	Mower Lease			
Ending	Interest			
June 30,	Rates	Principal	Interest	Total
2008	9.25 % \$	5,793	559	6,352

(6) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report

may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2007, 2006 and 2005. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2007, 2006 and 2005 were \$267,930, \$218,221 and \$270,826 respectively, equal to the required contributions for each year.

(7) Risk Management

Eddyville-Blakesburg Community School District is exposed to Various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(8) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$246,125 for the year ended June 30, 2007 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(9) Deficit Net Assets

The Enterprise Fund, School Nutrition and Child Care Funds had deficit unrestricted net assets at June 30, 2007 of \$33,789 and \$253,794, respectively.

REQUIRED SUPPLEMENTARY INFORMATION

EDDYVILLE-BLAKESBURG COMMUNITY SCHOOL DISTRICT
BUDGETARY COMPARISON OF REVENUES, EXPENDITURES AND
CHANGES IN BALANCES -
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
AND PROPRIETARY FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2007

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
Revenues:						
Local sources	\$ 5,664,555	507,195	6,171,750	6,226,551	6,226,551	(54,801)
Intermediate sources	0	0	0	300	300	(300)
State sources	3,232,823	11,322	3,244,145	3,175,109	3,175,109	69,036
Federal sources	219,238	158,403	377,641	1,110,000	1,110,000	(732,359)
Total revenues	9,116,616	676,920	9,793,536	10,511,960	10,511,960	(718,424)
Expenditures:						
Instruction	4,923,917	135,699	5,059,616	6,472,860	5,709,615	649,999
Support services	3,060,613	7,986	3,068,599	2,868,335	3,839,335	770,736
Non-instructional programs	24,498	650,175	674,673	776,741	951,741	277,068
Other expenditures	731,673	0	731,673	885,501	872,746	141,073
Total expenditures	8,740,701	793,860	9,534,561	11,003,437	11,373,437	1,838,876
Excess(deficiency) of revenues over(under) expenditures	375,915	(116,940)	258,975	(491,477)	(861,477)	1,120,452
Other financing sources, net	303,479	215,364	518,843	0	0	518,843
Excess(deficiency) of revenues over(under) expenditures and other financing sources(uses)	679,394	98,424	777,818	(491,477)	(861,477)	1,639,295
Balance beginning of year	2,036,937	(20,263)	2,016,674	491,477	491,477	1,525,197
Balance end of year	\$ 2,716,331	78,161	2,794,492	0	(370,000)	3,164,492

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

EDDYVILLE-BLAKESBURG COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2007

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private-Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis. Encumbrances are not recognized on the GAAP basis budget and appropriations lapse at year end.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year ended June 30, 2007, the District adopted one budget amendment which increased budget expenditures by \$370,000.

OTHER SUPPLEMENTARY INFORMATION

EDDYVILLE-BLAKESBURG COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 JUNE 30, 2007

	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Expend- able Trust	Total
Assets					
Cash and pooled investments	\$ 175,332	93,161	303,350	38,831	610,674
Receivables:					
Property tax:					
Current year delinquent	2,955	0	2,877	0	5,832
Succeeding year	250,000	0	335,978	0	585,978
Income surtax	0	0	153,087	0	153,087
Total Assets	\$ 428,287	93,161	795,292	38,831	1,355,571
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 1,051	0	2,637	0	3,688
Deferred revenue:					
Succeeding year property tax	250,000	0	335,978	0	585,978
Income surtax	0	0	153,087	0	153,087
Total liabilities	251,051	0	491,702	0	742,753
Fund balances:					
Unreserved	177,236	93,161	303,590	38,831	612,818
Total fund balances	177,236	93,161	303,590	38,831	612,818
Liabilities and Fund Balances	\$ 428,287	93,161	795,292	38,831	1,355,571

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

EDDYVILLE-BLAKESBURG COMMUNITY SCHOOL DISTRICT
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2007

	Special Revenue Funds						
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Expend- able Trust	Total Special Revenue Funds	Debt Service	Total
REVENUES:							
Local sources:							
Local tax	\$ 290,570	0	444,563	0	735,133	0	735,133
Other	12,592	217,796	0	925	231,313	0	231,313
State sources	122	0	119	0	241	0	241
TOTAL REVENUES	303,284	217,796	444,682	925	966,687	0	966,687
EXPENDITURES:							
Current:							
Instruction:							
Regular instruction	67,403	0	0	0	67,403	0	67,403
Other instruction	0	212,772	0	4,532	217,304	0	217,304
Support services:							
Instructional staff services	0	0	314,786	0	314,786	0	314,786
Administration services	56,183	0	42,378	0	98,561	0	98,561
Operation and maintenance of plant services	54,413	0	0	0	54,413	0	54,413
Student transportation	34,556	0	106,740	0	141,296	0	141,296
Non-instructional programs:							
Food service operations	24,498	0	0	0	24,498	0	24,498
Other expenditures							
Facilities acquisitions	0	0	181,958	0	181,958	0	181,958
Long-term debt:							
Principal	0	0	0	0	0	73,347	73,347
Interest and fiscal charges	0	0	0	0	0	2,247	2,247
TOTAL EXPENDITURES	237,053	212,772	645,862	4,532	1,100,219	75,594	1,175,813
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	66,231	5,024	(201,180)	(3,607)	(133,532)	(75,594)	(209,126)
OTHER FINANCING SOURCES (USES):							
Proceeds from lease purchases	0	0	322,890	0	322,890	0	322,890
Transfer in	0	0	0	0	0	75,594	75,594
Transfer out	0	0	(75,594)	(19,486)	(95,080)	0	(95,080)
TOTAL OTHER FINANCING SOURCES (USES)	0	0	247,296	(19,486)	227,810	75,594	303,404
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES (USES)	66,231	5,024	46,116	(23,093)	94,278	0	94,278
FUND BALANCES BEGINNING OF YEAR	111,005	88,137	257,474	61,924	518,540	0	518,540
FUND BALANCES END OF YEAR	\$ 177,236	93,161	303,590	38,831	612,818	0	612,818

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

EDDYVILLE-BLAKESBURG COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2007

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Activity Management	\$ 29,068	55,607	54,297	30,378
Uniform	3,518	5,900	9,076	342
Cross Country	628	0	155	473
Boys Basketball	1,706	2,722	2,382	2,046
Football	3,921	8,791	12,632	80
Baseball	(1,439)	10,672	9,200	33
Boys Track	210	1,122	1,154	178
Golf	322	527	229	620
Wrestling	1,050	8,375	6,926	2,499
Girls Basketball	888	9,554	10,610	(168)
Volleyball	1,559	8,217	7,886	1,890
Softball	3,477	6,010	5,636	3,851
Girls Track	723	656	860	519
Cheerleading	332	1,707	1,564	475
Interest	0	625	0	625
Class of 2007	980	0	786	194
Class of 2008	0	9,936	8,175	1,761
National Honor Society	727	0	66	661
HS Student Council	748	1,588	1,433	903
EEAC Student Council	4	0	0	4
E-B MS Tag	164	1,326	1,222	268
E-B Jr High Student Council	6,157	2,711	2,996	5,872
BAC 7/8 Activity	3,144	14,298	11,301	6,141
BAC Elementary	503	624	754	373
FFA	4,137	30,440	30,282	4,295
Spanish Club	6,725	0	0	6,725
Thespian Club	978	1,817	2,114	681
Jr Red Cross	424	616	835	205
Tri M Society	2	1,167	166	1,003
Drama/Play	2,517	1,158	1,887	1,788
FFA CD	4,164	0	0	4,164
Yearbook	9,785	6,456	4,868	11,373
Concessions	690	24,132	23,222	1,600
Family Career	45	217	0	262
MS Band Fundraiser	(536)	536	0	0
MS Drama	9	165	58	116
Future Business Leaders	807	124	0	931
Total	\$ 88,137	217,796	212,772	93,161

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

EDDYVILLE-BLAKESBURG COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUND
 YEAR ENDED JUNE 30, 2007

	Beginning			Ending
	Balance	Increases	Decreases	Balance
BAC Faculty				
Assets:				
Cash and other investments	\$ 1,258	577	1,247	588
Liabilities:				
Due to other groups	\$ 1,258	577	1,247	588
E-B HS Faculty				
Assets:				
Cash and other investments	\$ 918	594	249	1,263
Liabilities:				
Due to other groups	\$ 918	594	249	1,263
Total				
Assets:				
Cash and other investments	\$ 2,176	1,171	1,496	1,851
Liabilities:				
Due to other groups	\$ 2,176	1,171	1,496	1,851

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

EDDYVILLE-BLAKESBURG COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
 ALL GOVERNMENTAL FUND TYPES
 FOR THE LAST FOUR YEARS

		Modified Accrual Basis			
		Years Ended June 30,			
		2007	2006	2005	2004
Revenues:					
Local sources:					
Local tax	\$	4,400,083	4,160,233	3,816,851	3,164,785
Tuition		883,897	1,091,012	585,509	638,838
Other		380,575	300,615	567,934	404,322
State sources		3,232,823	2,900,185	2,856,947	2,691,921
Federal sources		219,238	266,667	280,788	312,395
Total	\$	9,116,616	8,718,712	8,108,029	7,212,261
Expenditures:					
Current:					
Instruction:					
Regular instruction	\$	3,379,829	3,325,982	3,510,809	3,074,981
Special instruction		980,574	945,318	955,630	871,201
Other instruction		563,514	661,387	489,972	555,274
Support services:					
Student services		150,896	37,448	67,230	165,055
Instructional staff services		559,431	173,734	122,397	219,814
Administration services		946,784	886,521	778,248	780,750
Operation and maintenance of plant services		666,231	668,700	647,461	671,715
Transportation services		737,271	584,158	551,283	476,909
Non-instructional programs		24,498	9,449	25,860	24,508
Other expenditures:					
Facilities acquisitions		409,954	101,263	364,123	295,160
Long-term debt:					
Principal		73,347	0	0	0
Interest		2,247	0	0	0
AEA flow-through		246,125	226,534	215,713	218,241
Total	\$	8,740,701	7,620,494	7,728,726	7,353,608

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.
Certified Public Accountants
(a professional corporation)
117 West 3rd Street North, Newton, Iowa 50208-3040
Telephone (641) 792-1910

Independent Auditor's Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements Performed in
Accordance with Government Auditing Standards

To the Board of Education of the
Eddyville-Blakesburg Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Eddyville-Blakesburg Community School District as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated February 21, 2008. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Eddyville-Blakesburg Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Eddyville-Blakesburg Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Eddyville-Blakesburg Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Eddyville-Blakesburg Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Eddyville-Blakesburg Community School District's financial statements that is more than inconsequential will not be prevented or detected by Eddyville-Blakesburg Community School District's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Eddyville-Blakesburg Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item I-A-07 is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Eddyville-Blakesburg Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2007 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Eddyville-Blakesburg Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit Eddyville-Blakesburg Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Eddyville-Blakesburg Community School District and other parties to whom Eddyville-Blakesburg Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Eddyville-Blakesburg Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.


NOLTE, CORNMAN & JOHNSON, P.C.

February 21, 2008

EDDYVILLE-BLAKESBURG COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2007

Part I: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

- I-A-07 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal were all done by the same person.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - We will review our system and try to segregate duties.

Conclusion - Response accepted.

- I-B-07 Fixed Assets - A record of fixed asset acquisitions and disbursements are kept, however these changes are not kept up to date and are not being kept on the District's software system. Fixed assets are required to be maintained for financial statement presentation.

Recommendation - Fixed asset updates should be made on a continuous basis to allow the school officials and outsiders an accurate account of the amount of fixed assets at any point in time. This is necessary for both an accurate account of assets and to ensure a proper amount of insurance is carried to cover the assets in case of loss from fire, vandalism, or theft. The District should have a complete list of additions, deletions, and current assets for reporting purposes.

Response - We have an individual trained and working on maintaining the record of fixed assets.

Conclusion - Response accepted.

- I-C-07 Checks Outstanding - We noted during our audit that the District had checks included in the bank reconciliation which have been outstanding for over a year.

Recommendation - The District should research the outstanding checks to determine if they should be reissued, voided or submitted to the Treasurer of Iowa as unclaimed property.

Response - We have researched and are following through to get the outstanding checks resolved.

Conclusion - Response accepted.

- I-D-07 Reliable Financial Statements - Iowa School Districts are required to record the financial records on a GAAP Basis of Accounting. The financial records are normally converted at year end, after a year of cash based records. The recognition of receivables, payables,

inventory, long-term debt recognition and deprecation of capital assets are all pieces which the accounting personnel is expected to be completing. The individuals performing the accounting function needs to be well trained in all areas to be effective in completing the Certified Annual Report. The Iowa Association of School Business Officials provides training to its members as does the Department of Education and Software Unlimited. This training helps in providing instruction as well as promotes networking of other accounting personnel. There were no adjustments in the Nutrition Fund made for the changes in inventories, capital assets or student lunch account balances. We also noted in the Nutrition Fund that some of the receivables were posted to cash instead of the appropriate accounts receivable account.

Recommendation - The maintenance of reliable accounting records has and continues to be important in every district. The necessity of the numerous adjustments for the financial statements may indicate that additional training is necessary for the accounting personnel. The District should consider sending their accounting staff to end-of-year training in an effort to provide more reliable financial statements.

Response - We do currently attend end of the year software training, but we will look into further support from other sources.

Conclusion - Response accepted.

I-E-07 Student Activity Funds - During our audit concerns arose about certain expenditures paid from the Student Activity Fund. Inappropriate expenditures would include any expenditure more appropriate to other funds. The Student Activity fund shall not be used as a clearing account for any other fund. This is not an appropriate fund to use for public tax funds, trust funds, state and federal grants or aids, textbook/library book fines, fees, rents, or sales, textbook/library book purchases, sales of school supplies, curricular activities, or any other revenues or expenditures more properly included in another fund. Moneys in this fund shall be used to support only the cocurricular program defined in Department of Education administrative rules (298A.8). Fundraisers and donations made to the school should be recorded in the fund in which they could be expended.

Recommendation - The purpose of the Student Activity Fund is to account for financial transactions related to the cocurricular and extracurricular activities offered as a part of the education program for the students established under Iowa Administrative Code 281--12.6(1). The District should review the propriety of receipts and expenditures that are recorded in the Student Activity Fund. It would appear the some of the accounts appear to be more administratively maintained in nature, rather than maintained by a club or organization. Therefore, they need to be corrected or transferred to the proper fund where these monies can be receipted and expended. More specific examples of these instances of questioned items and recommendations are as follows:

There is a TAG Club. It appears that the money received from fundraisers is being used to support field trips. Revenues and expenditures from these accounts would appear to not meet the criteria of the Student Activity Fund. The funds in these accounts would be more appropriately handled through the General Fund.

There was an interest account in the Student Activity Fund. Interest earned on investments during the year should be allocated to individual Student Activity Fund accounts on an annual basis.

Response - We are working on resolving the questioned items.

Conclusion - Response accepted.

I-F-07 Sponsor Procedures - During our audit, concerns developed about sponsor procedures. Currently, some sponsors are not turning in supporting documentation for money collected from individuals, fundraising events and other revenue fees. It was also apparent that the sponsors were not turning in collected receipts to the administration office for deposit in a timely manner. It appeared that some sponsors maintained the cash collection in their office/classroom until they had time to turn the funds into the office or until all the funds were collected. We noted that once collected at the office, these were handled in a comparable manner as receipts directly delivered to the office, where receipts are given and deposited. The copies of the receipts issued at the buildings are provided to the central office for posting and reconciling the bank statement. There does not appear to be controls in place to document monies collected and turned in from sponsors to be reconciled to the actual deposit.

The breakdown of control procedures for the receipting process becomes apparent as the sponsor maintains the collected revenue. The maintenance of the undeposited funds in the office/classroom provides a risk of loss due to possible theft, improper use or loss, as well as lack of reporting of the funds. The District is required to maintain records for the student activity fund.

Recommendation - The district actually maintains multiple layers of receipting from, sponsors, to the building office, to the central office. When sponsors or fundraising chairpersons submit money to the office for previously collected receipts, they should provide documentation of their receipts. This documentation should be used when reconciling deposits to receipts. The district should take necessary steps to require all sponsors to turn in collected money on a daily basis with a detailed receipts or another form of detailed documentation. This detailed documentation should at a minimum include the individual that the sponsor received the money from, the purpose, the fund/organization/club that needs to be credited, the date and amount.

Response - We are working with our sponsors to submit detailed summary sheets of our fund-raising operations.

Conclusion - Response accepted.

I-G-07 PPEL Expenditures - We noted that the District is currently making purchases from Special Revenue, Physical Plant and Equipment Levy(PPEL) Fund which do not appear to be in compliance 298.3 of the Code of Iowa. The District made purchases totaling \$5,523.47 for computer software.

Recommendation - The District should review their procedures to ensure that purchases made from these funds are in compliance with 298.3 of the Code of Iowa. A corrective transfer should be made from the General Fund to cover these expenditures.

Response - We have resolved the corrective transfer.

Conclusion - Response accepted.

I-H-07 Scholarships - We noted that the District received a \$6,000 donation to be used for six \$1,000 scholarships. The District however, paid out four \$1,500 scholarships which contradicted the original donation request.

Recommendation - The District needs to review its procedures to ensure they are following the requirements of all donations they receive. When donations are accepted, the donor has the expectation of their specific request to be followed. If the District does not intend to follow the donor request by modifying it, the District should approve the actions with the donor or not accept the donation.

Response - The individuals working with scholarships have been directed to review the guidelines of the various scholarships.

Conclusion - Response accepted.

- I-I-07 Edward Abegg Trust - We noted that the District received a donation to be used to benefit the Blakesburg children. The donor was not specific in the purpose, just specific in the intended beneficiaries, the "Blakesburg Children." During our audit we were informed that there is an advisory committee to determine how this donation will be spent. However, we were unable to determine who if anyone is on this advisory committee. It appears that the principal is determining where this donation is expended.

Recommendation - Donations received but not specified by the Donor should be designated by the Board. If an advisory committee is established, the committee should report to the Board of Directors.

Response - An advisory committee has been appointed.

Conclusion - Response accepted.

- I-J-07 Lease Purchase Agreements - It was noted that the District entered into various lease purchase agreements during the year. The floor scrubber and mower leases (see Note 5) have interest rates of 14.69% and 9.25%, respectively.

Recommendation - The District should review its procedures when entering into purchase agreements to ensure that they are getting the best interest rates possible. The District should consider paying off the leases earlier than the repayment schedule suggests or borrow money with a lower interest rate to pay off these leases.

Response - The lease for the scrubber and mower have been paid off. We are reviewing our other two lease agreements.

Conclusion - Response accepted.

- I-K-07 Enrollment - We noted during the audit that the District was billed and paid Moravia Community Schools for 12 students who were residents of Eddyville Blakesburg but attending Moravia Community Schools. Upon research of the billings it was determined that 2 students listed on the bill had actually graduated the previous year and should not have been included.

Recommendation - The District should review their bills closer to ensure that payments are appropriate for services used. The District should ask for a refund from Moravia Community Schools in the amount of \$9,862.

Response - The District in question had given us incorrect information. We will keep a closer tab on open enrolled out billings from other Districts. We have contacted the District to request a refund.

Conclusion - Response accepted.

EDDYVILLE-BLAKESBURG COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2007

Part II: Other Findings Related to Required Statutory Reporting

- II-A-07 Certified Budget - District disbursements for the year ended June 30, 2007, did not exceed the amount budgeted.
- II-B-07 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- II-C-07 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- II-D-07 Business Transactions - Business transactions between the District and District officials are noted as follows:

Name, Title and Business Connection	Transaction Description	Amount
Deb Bar, Board Member Servicing agent at Insurance Associates	Worker's Compensation insurance	\$40,102

Recommendation - The District should consult legal council to determine if the transactions with Deb Bar represent a conflict of interest to the District.

Response - We are working with legal counsel.

Conclusion - Response accepted.

- II-E-07 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-F-07 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- II-G-07 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.
- II-H-07 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- II-I-07 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.
- II-J-07 Financial Condition - The District had deficit unrestricted net assets of \$253,794 in the Enterprise - Child Care Fund and \$33,789 in the Enterprise - School Nutrition Fund at June 30, 2007.

Recommendation - The District should continue to monitor these funds and investigate alternatives to eliminate the deficit.

Response - We are working on alternatives to eliminate the deficits.

Conclusion - Response accepted.